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S E C R E T WINDHOEK 000159

SIPDIS

STATE FOR ISN (RNEPHEW), IO/T, NEA; AND AF/S (EPELLETREAU)

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TAGS: KNNP MNUC PARM TRGY ENRG EMIN ETTC IR WA

SUBJECT: NAMIBIAN GOVERNMENT AND ROSSING REAFFIRM NO
URANIUM SALES TO IRAN

REF: A. WINDHOEK 65
1B. 08 WINDHOEK 239

Classified By: AMBASSADOR DENNISE MATHIEU for 1.4 (b) and (d).

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Summary
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11. (S) Namibia's Rossing Uranium mine has been in production since 1976, and since its establishment the Government of Iran (GOI) - then under the Shah - has maintained a financial stake in the operation. Today, the Iran Foreign Investment Company (IFIC) maintains the GOI's 15 percent stake. Like other shareholders, IFIC has no off-take rights (rights to the uranium oxide). Australia's Rio Tinto, which has a 69 percent equity position, has full control over production. The Government of Namibia (GRN) has a three percent stake, but controls 51 percent of the voting rights. Namibia's Prime Minister and other senior government sources have reassured us that the GRN supervises all licenses and uranium sales, and is committed to abiding by international agreements (UNSCR 1737) which prohibit the sale of nuclear fuel to Iran. Rio Tinto officials also take seriously those international prohibitions, emphasizing to us and our British counterparts in Windhoek that they have no intention of providing uranium to Iran. A sale to Iran would jeopardize Rio Tinto's business and put at risk the entire uranium sector, a sector which is increasingly important to the Namibian government's revenues, the country's export earnings, and overall gross domestic product (GDP). End Summary.

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Rossing Mine Ownership
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12. (SBU) Rio Tinto has a 69 percent equity stake in the Rossing mine. The Iranian Foreign Investment Company (IFIC) - a state-owned enterprise - maintains a 15 percent stake. The GOI, under the former Shah of Iran, acquired its holdings in Rossing in the early 1970's. South Africa's Industrial Development Corporation (IDC) has a 10 percent interest. Individual shareholders have a combined three percent stake. The GRN has a three percent equity position, but retains a majority voting right (51 percent).

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Off-Take Rights
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13. (SBU) Despite its 69 percent ownership, Rio Tinto fully controls the operation of the Rossing mine and the sale of product. Other shareholders, the IFIC included, have no uranium product off-take rights. A chart in Rio Tinto's 2008

annual report (page 110) has generated some confusion because it shows that Rio Tinto's share of Rossing's production as only 6,419,000 pounds of the total 8,966,000 pounds of the yellow cake produced. This chart simply reflects Rio Tinto's 69 percent equity stake in Rossing (6,419,000 is 69 percent of 8,966,000). Rio Tinto still maintains full control over the production and sales of the yellow cake.

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No Sales to Iran
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¶ 14. (S) On February 25, Prime Minister Nahas Angula assured the Ambassador that the GRN would abide by its international obligations, including UNSCR 1737 (ref A). In a July 30, 2008 meeting with the Minister of Mines and Energy Erkki Nghimtina, Nghimtina told Ambassador Mathieu that he must personally approve any shipment of uranium leaving Namibia (ref B). At an April 2 meeting at the Rossing mine, Manager for External Relations Jerome Mutumba reiterated to emboff that Rossing has never sold product to Iran, that the GOI/IFIC had no off-take rights, and that the GRN supervised all of Rossing's sales. Officials at the Namibian Chamber of Mines have told emboffs that the Ministry of Mines and Energy approves all licenses for uranium sales and that the GRN is committed to abiding by international agreements.

¶ 15. (C) The Director of the Financial Intelligence Center at the Bank of Namibia (BoN) confirmed to us that the BoN prohibits payments to Iranian government-owned companies, meaning Rossing may not remit dividends to the IFIC. The IFIC has apparently disputed the BoN's position. Rossing has sought legal advice in the matter as it is caught between the

BoN and its shareholder.

¶ 16. (C) Rossing's Managing Director told Britain's deputy high commissioner to Namibia that he wishes to see IFIC divest its stake in his company. Inquiries into the ownership arrangement have created an increasing burden on Rossing, and there are concerns that the company could one day be at risk of sanction despite the fact it has never sold product to Iran. Legal issues currently encumber the sale. The GRN would have to change a Namibian law to allow for the sale, and there are concerns that providing payment for the sale to the IFIC would somehow violate UNSCRs.

¶ 17. (S) On April 27, the Egyptian ambassador (protect) informed Ambassador Mathieu that the Pretoria-based Iranian ambassador and the head of the Iranian Atomic Energy Agency visited Namibia April 14-18. The Egyptian ambassador said that in his discussions with GRN officials, he was told that Namibia would not sell uranium to Tehran because UN Security Council Resolutions prohibited it. GRN officials have also pointed out that, even if their government was inclined to allow sales to Iran (which it is not), uranium mining in Namibia is controlled by private companies from the West.

¶ 18. (C) Britain's high commissioner to Namibia is confident that Rio Tinto (Rossing) is committed to abiding by all international agreements as any violation could jeopardize Rio Tinto's business. The deputy high commissioner reported that when Rossing considered expanding its customer base to India, Rossing's Managing Director first asked the UK High Commission in Windhoek whether the British government would have any objection.

¶ 19. (C) Comment: While the Iranian government may hope to purchase uranium via Rio Tinto's Rossing mine, all indications are that both the company and the Namibian government have no intention of selling any product to Iran. For its part, Rio Tinto takes seriously UNSCR restrictions and understands well that a delivery to Iran could jeopardize its business. The Government of Namibia is unlikely to put at risk its potentially most vibrant economic contributor by selling to Iran. Uranium increasingly contributes to Namibia's government revenues and overall gross domestic product at a time when diamond mining - its historically most

important economic driver - is in decline and has been badly affected by the global financial crisis. Uranium sales represented 22.5 percent of total 2008 exports and this percentage will likely increase substantially in 2009. The GRN is keen to see further development of the uranium sector as evidenced by its issuance of over 30 new exploration licenses in the past two years. Furthermore, at least two new uranium mines will be coming on-line soon; the French-backed Areva Trekkopje mine - slated to be Namibia's largest uranium mine - will open in 2009 and reach full production in 2011.

End Comment.

MATHIEU